

House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 90

HOUSE BILL 2019

AN ACT

AMENDING SECTIONS 38-816 AND 38-820, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-823; AMENDING SECTIONS 38-853.01 AND 38-858, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-861; AMENDING SECTIONS 38-907 AND 38-909, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-913; RELATING TO PUBLIC RETIREMENT SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-816, Arizona Revised Statutes, is amended to
3 read:

4 38-816. Redemption of prior service

5 A. Any present active elected official who has at least five years of
6 credited service with the plan may elect to redeem up to sixty months of any
7 part of the following prior service or employment by paying into the fund the
8 amounts required under subsection B of this section if the prior service or
9 employment is not on account with any other retirement system or plan:

10 1. Prior service in this state as an elected official with an employer
11 now covered by the plan before the effective date of participation if the
12 elected official has received a refund from a prior retirement system or plan
13 on termination of employment before the elected official's application for
14 redemption of prior service.

15 2. Prior service in this state as an elected official with an employer
16 now covered by the plan before the effective date of participation if the
17 elected official was not covered by a retirement system or plan during the
18 elected official's prior elected official service.

19 3. Prior service as an elected official of this state or a city, town
20 or county of this state if the elected official was not covered by a
21 retirement system or plan during that service whether or not the city, town
22 or county is an employer now covered by the plan.

23 4. Prior employment with the United States government, a state of the
24 United States or a political subdivision of a state of the United States.

25 B. Any present active elected official who elects to redeem any part
26 of the prior service or employment for which the elected official is deemed
27 eligible by the board under this section shall pay into the plan the amounts
28 previously withdrawn by the elected official as a refund of the elected
29 official's accumulated contributions, if any, plus the additional amount, if
30 any, that is computed by the plan's actuary and that is necessary to equal
31 the increase in the actuarial present value of projected benefits resulting
32 from the redemption calculated using the actuarial methods and assumptions
33 that are prescribed by the plan's actuary. ~~The discount rate used by the~~
34 ~~actuary for the calculation of the actuarial present value of the projected~~
35 ~~benefits resulting from the redemption calculation pursuant to this~~
36 ~~subsection is an amount equal to the lesser of the assumed rate of return~~
37 ~~that is prescribed by the board or an amount equal to the yield on a ten year~~
38 ~~treasury note as of March 1 that is published by the federal reserve board~~
39 ~~plus two per cent. This discount rate is effective beginning in the next~~
40 ~~fiscal year and the board shall recalculate the rate each year.~~

41 C. On approval by the governing body of an incorporated city or town
42 that executes a joinder agreement under section 38-815, the city or town may
43 pay into the fund all or any part of the amount sufficient to provide
44 retirement benefits for elected officials or former elected officials for the
45 time of service as an elected official of the city or town before the joinder

1 agreement if no retirement benefits were in effect for elected officials
2 during the time of service being redeemed under this section.

3 D. A member electing to redeem service pursuant to this section may
4 pay for service being redeemed in the form of a lump sum payment to the plan,
5 a trustee-to-trustee transfer or a direct rollover of an eligible
6 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or
7 (vi) of the internal revenue code or a rollover of an eligible distribution
8 from an individual retirement account or annuity described in section 408(a)
9 or (b) of the internal revenue code.

10 Sec. 2. Section 38-820, Arizona Revised Statutes, is amended to read:

11 38-820. Credit for military service

12 A. A member of the plan who has at least ~~ten~~ FIVE years of credited
13 service with the plan may receive credited service for periods of active
14 military service performed before employment with the member's current
15 employer if:

16 1. The member was honorably separated from the military service.

17 2. The period of military service for which the member receives
18 credited service does not exceed sixty months.

19 3. The period of military service for which the member receives
20 credited service is not on account with any other retirement system, except
21 as provided by 10 United States Code section 12736 or except if the member is
22 not yet eligible for a military retirement benefit.

23 4. The member pays the cost to purchase the prior active military
24 service. The cost is the amount necessary to equal the increase in the
25 actuarial present value of projected benefits resulting from the additional
26 credited service.

27 5. The amount of benefits purchased pursuant to this subsection is
28 subject to limits established by section 415 of the internal revenue code.

29 B. An active member of the plan who volunteers or is ordered to
30 perform military service may receive credited service for not more than sixty
31 months of military service as provided by the uniformed services employment
32 and reemployment rights act OF 1994 (38 United States Code part III,
33 chapter 43). The member's employer shall make employer contributions and the
34 member shall make the member contributions pursuant to subsection C of this
35 section if the member meets the following requirements:

36 1. Was an active member of the plan on the day before the member began
37 military service.

38 2. Entered into and served in the armed forces of the United States or
39 is a member of the national guard.

40 3. Complies with the notice and return to work provisions of 38 United
41 States Code section 4312.

42 C. Contributions made pursuant to subsection B of this section shall
43 be for the period of time beginning on the date the member began military
44 service and ending on the later of one of the following dates:

45 1. The date the member is separated from military service.

1 2. The date the member is released from service related
2 hospitalization or two years after initiation of service related
3 hospitalization, whichever date is earlier.

4 3. The date the member dies as a result of or during military service.

5 D. Notwithstanding any other law, on payment of the contributions made
6 pursuant to subsection B of this section, the member shall be credited with
7 service for retirement purposes for the period of military service of not
8 more than sixty months. The member shall submit a copy of the military
9 discharge certificate (DD-256A) and a copy of the military service record
10 (DD-214) or its equivalent with the member's application when applying for
11 credited service corresponding to the period of military service.

12 E. The employer and the member shall make contributions pursuant to
13 subsection B of this section as follows:

14 1. Contributions shall be based on the compensation that the member
15 would have received but for the period that the member was ordered into
16 active military service.

17 2. If the employer cannot reasonably determine the member's rate of
18 compensation for the period that the member was ordered into military
19 service, contributions shall be based on the member's average rate of
20 compensation during the twelve-month period immediately preceding the period
21 of military service.

22 3. If a member has been employed less than twelve months before being
23 ordered into military service, contributions shall be based on the member's
24 compensation being earned immediately preceding the period of military
25 service.

26 4. The member has up to three times the length of military service,
27 not to exceed sixty months, to make the member contributions. Once the
28 member has made the member contributions or on receipt of the member's death
29 certificate, the employer shall make the employer contributions in a lump
30 sum. Death benefits shall be calculated as prescribed by law.

31 5. If the member's employer pays military differential wage pay to
32 members serving in the military, contributions shall be paid to the plan
33 pursuant to section 38-810 for any military differential wage pay paid to the
34 member while performing military service.

35 F. In computing the length of total credited service of a member for
36 the purpose of determining retirement benefits or eligibility, the period of
37 military service, as prescribed by this section, shall be included.

38 G. If a member performs military service due to a presidential
39 call-up, not to exceed forty-eight months, the employer shall make the
40 employer and member contributions computed pursuant to subsection E of this
41 section on the member's return and in compliance with subsection B of this
42 section.

43 H. In addition to, but not in duplication of, subsection B of this
44 section, beginning December 12, 1994 contributions, benefits and credited
45 service provided pursuant to this section shall be provided pursuant to

1 section 414(u) of the internal revenue code, and this section shall be
2 interpreted in a manner consistent with that internal revenue code section.

3 I. For plan years beginning after December 31, 2008, a member who does
4 not currently perform services for an employer by reason of qualified
5 military service as defined in section 414(u)(5) of the internal revenue code
6 is not considered having a severance from employment during that qualified
7 military service. Any payments by the employer to the member during the
8 qualified military service shall be considered compensation to the extent
9 those payments do not exceed the amounts the member would have received if
10 the member had continued to perform services for the employer rather than
11 entering qualified military service.

12 J. For deaths occurring from and after December 31, 2006, in the case
13 of a member who dies while performing qualified military service as defined
14 in section 414(u)(5) of the internal revenue code, the survivors of the
15 member are entitled to any benefits, other than benefit accruals relating to
16 the period of qualified military service, provided under the plan as though
17 the member resumed and then terminated employment on account of death.

18 Sec. 3. Title 38, chapter 5, article 3, Arizona Revised Statutes, is
19 amended by adding section 38-823, to read:

20 38-823. Discount rate; service purchase; transfer of service
21 credits

22 A. BEGINNING JULY 1, 2017, THE DISCOUNT RATE SPECIFIED IN SUBSECTION B
23 OF THIS SECTION APPLIES TO SERVICE PURCHASES OR TRANSFERS OF SERVICE CREDITS
24 TO THE PLAN PURSUANT TO THE FOLLOWING SECTIONS:

- 25 1. SECTION 38-816, SUBSECTION B.
26 2. SECTION 38-820, SUBSECTION A.
27 3. SECTION 38-821.
28 4. SECTIONS 38-921, 38-922, 38-923 AND 38-924.

29 B. THE DISCOUNT RATE IS AN AMOUNT EQUAL TO THE LESSER OF THE ASSUMED
30 RATE OF RETURN THAT IS PRESCRIBED BY THE BOARD OR AN AMOUNT EQUAL TO THE
31 YIELD ON A TEN-YEAR TREASURY NOTE AS OF MARCH 1 THAT IS PUBLISHED BY THE
32 FEDERAL RESERVE BOARD PLUS TWO PERCENT. THE DISCOUNT RATE IS EFFECTIVE
33 BEGINNING IN THE NEXT FISCAL YEAR, AND THE BOARD SHALL RECALCULATE THE RATE
34 EACH YEAR.

35 Sec. 4. Section 38-853.01, Arizona Revised Statutes, is amended to
36 read:

37 38-853.01. Redemption of prior service; calculation

38 A. Each present active member of the system who has at least five
39 years of service with the system may elect to redeem up to sixty months of
40 any part of the following prior service or employment by paying into the
41 system any amounts required under subsection B of this section if the prior
42 service or employment is not on account with any other retirement system:

- 43 1. Prior service in this state as an employee with an employer now
44 covered by the system or prior service with an agency of the United States
45 government, a state of the United States or a political subdivision of this

1 state or of a state of the United States as a full-time paid firefighter,
2 full-time paid certified peace officer or full-time paid corrections officer
3 engaged in law enforcement duties.

4 2. Subject to any limitations prescribed by federal law, prior
5 employment as an employee of a corporation that contracted with an employer
6 now covered by the system to provide firefighting services on behalf of that
7 employer as a full-time paid firefighter or that provided firefighting
8 services for a political subdivision of this state.

9 B. Any present active member who elects to redeem any part of the
10 prior service or employment for which the employee is deemed eligible by the
11 board under this section shall pay into the system the amounts previously
12 withdrawn by the member, if any, as a refund of the member's accumulated
13 contributions plus accumulated interest as determined by the board and the
14 additional amount, if any, computed by the system's actuary that is necessary
15 to equal the increase in the actuarial present value of projected benefits
16 resulting from the redemption calculated using the actuarial methods and
17 assumptions prescribed by the system's actuary. ~~The discount rate used by~~
18 ~~the actuary for the redemption calculation pursuant to this subsection is an~~
19 ~~amount equal to the lesser of the assumed rate of return that is prescribed~~
20 ~~by the board or an amount equal to the yield on a ten-year treasury note as~~
21 ~~of March 1 that is published by the federal reserve board plus two per cent.~~
22 ~~The discount rate is effective beginning in the next fiscal year, and the~~
23 ~~board shall recalculate the rate each year.~~

24 C. A member electing to redeem service pursuant to this section may
25 pay for service being redeemed in the form of a lump sum payment to the
26 system, a trustee-to-trustee transfer or a direct rollover of an eligible
27 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or
28 (vi) of the internal revenue code or a rollover of an eligible distribution
29 from an individual retirement account or annuity described in section 408(a)
30 or (b) of the internal revenue code.

31 Sec. 5. Section 38-858, Arizona Revised Statutes, is amended to read:

32 38-858. Credit for military service

33 A. A member of the system who has at least ~~ten~~ FIVE years of service
34 with the system may receive credited service for periods of active military
35 service performed before employment with the member's current employer if:

36 1. The member was honorably separated from the military service.

37 2. The period of military service for which the member receives
38 credited service does not exceed sixty months.

39 3. The period of military service for which the member receives
40 credited service is not on account with any other retirement system, except
41 as provided by 10 United States Code section 12736 or except if the member is
42 not yet eligible for a military retirement benefit.

43 4. The member pays the cost to purchase the prior active military
44 service. The cost is the amount necessary to equal the increase in the

1 actuarial present value of projected benefits resulting from the additional
2 credited service.

3 5. The amount of benefits purchased pursuant to this subsection is
4 subject to limits established by section 415 of the internal revenue code.

5 B. An active member of the system who volunteers or is ordered to
6 perform military service may receive credited service for not more than sixty
7 months of military service as provided by the uniformed services employment
8 and reemployment rights act OF 1994 (38 United States Code part III, chapter
9 43). The member's employer shall make employer contributions and the member
10 shall make the member contributions pursuant to subsection C of this section
11 if the member meets the following requirements:

12 1. Was an active member of the system on the day before the member
13 began military service.

14 2. Entered into and served in the armed forces of the United States or
15 is a member of the national guard.

16 3. Complies with the notice and return to work provisions of 38 United
17 States Code section 4312.

18 C. Contributions made pursuant to subsection B of this section shall
19 be for the period of time beginning on the date the member began military
20 service and ending on the later of one of the following dates:

21 1. The date the member is separated from military service.

22 2. The date the member is released from service related
23 hospitalization or two years after initiation of service related
24 hospitalization, whichever date is earlier.

25 3. The date the member dies as a result of or during military service.

26 D. Notwithstanding any other law, on payment of the contributions made
27 pursuant to subsection B of this section, the member shall be credited with
28 service for retirement purposes for the period of military service of not
29 more than sixty months. The member shall submit a copy of the military
30 discharge certificate (DD-256A) and a copy of the military service record
31 (DD-214) or its equivalent with the member's application when applying for
32 credited service corresponding to the period of military service.

33 E. The employer and the member shall make contributions pursuant to
34 subsection B of this section as follows:

35 1. Contributions shall be based on the compensation that the member
36 would have received but for the period that the member was ordered into
37 active military service.

38 2. If the employer cannot reasonably determine the member's rate of
39 compensation for the period that the member was ordered into military
40 service, contributions shall be based on the member's average rate of
41 compensation during the twelve-month period immediately preceding the period
42 of military service.

43 3. If a member has been employed less than twelve months before being
44 ordered into military service, contributions shall be based on the member's

1 compensation being earned immediately preceding the period of military
2 service.

3 4. The member has up to three times the length of military service,
4 not to exceed sixty months, to make the member contributions. Once the
5 member has made the member contributions or on receipt of the member's death
6 certificate, the employer shall make the employer contributions in a lump
7 sum. Death benefits shall be calculated as prescribed by law.

8 5. If the member's employer pays military differential wage pay to
9 members serving in the military, contributions shall be paid to the system
10 pursuant to section 38-843 for any military differential wage pay paid to the
11 member while performing military service.

12 F. In computing the length of total credited service of a member for
13 the purpose of determining retirement benefits or eligibility, the period of
14 military service, as prescribed by this section, shall be included.

15 G. If a member performs military service due to a presidential
16 call-up, not to exceed forty-eight months, the employer shall make the
17 employer and member contributions computed pursuant to subsection E of this
18 section on the member's return and in compliance with subsection B of this
19 section.

20 H. In addition to, but not in duplication of, the provisions of
21 subsection B of this section, beginning December 12, 1994 contributions,
22 benefits and credited service provided pursuant to this section shall be
23 provided pursuant to section 414(u) of the internal revenue code, and this
24 section shall be interpreted in a manner consistent with that internal
25 revenue code section.

26 I. For plan years beginning after December 31, 2008, a member who does
27 not currently perform services for an employer by reason of qualified
28 military service as defined in section 414(u)(5) of the internal revenue code
29 is not considered having a severance from employment during that qualified
30 military service. Any payments by the employer to the member during the
31 qualified military service shall be considered compensation to the extent
32 those payments do not exceed the amounts the member would have received if
33 the member had continued to perform services for the employer rather than
34 entering qualified military service.

35 J. For deaths occurring from and after December 31, 2006, in the case
36 of a member who dies while performing qualified military service as defined
37 in section 414(u)(5) of the internal revenue code, the survivors of the
38 member are entitled to any benefits, other than benefit accruals relating to
39 the period of qualified military service, provided under the system as though
40 the member resumed and then terminated employment on account of death.

1 Sec. 6. Title 38, chapter 5, article 4, Arizona Revised Statutes, is
2 amended by adding section 38-861, to read:

3 38-861. Discount rate; service purchase; transfer of service
4 credit

5 A. BEGINNING JULY 1, 2017, THE DISCOUNT RATE SPECIFIED IN SUBSECTION B
6 OF THIS SECTION APPLIES TO SERVICE PURCHASES OR TRANSFERS OF SERVICE CREDITS
7 TO THE SYSTEM PURSUANT TO THE FOLLOWING SECTIONS:

- 8 1. SECTION 38-849, SUBSECTION D.
- 9 2. SECTION 38-853.01, SUBSECTION B.
- 10 3. SECTION 38-858, SUBSECTION A.
- 11 4. SECTIONS 38-921, 38-922, 38-923 AND 38-924.

12 B. THE DISCOUNT RATE IS AN AMOUNT EQUAL TO THE LESSER OF THE ASSUMED
13 RATE OF RETURN THAT IS PRESCRIBED BY THE BOARD OR AN AMOUNT EQUAL TO THE
14 YIELD ON A TEN-YEAR TREASURY NOTE AS OF MARCH 1 THAT IS PUBLISHED BY THE
15 FEDERAL RESERVE BOARD PLUS TWO PERCENT. THE DISCOUNT RATE IS EFFECTIVE
16 BEGINNING IN THE NEXT FISCAL YEAR, AND THE BOARD SHALL RECALCULATE THE RATE
17 EACH YEAR.

18 Sec. 7. Section 38-907, Arizona Revised Statutes, is amended to read:

19 38-907. Credit for military service

20 A. A member of the plan who has at least ~~ten~~ FIVE years of credited
21 service with the plan may receive credited service for periods of active
22 military service performed before employment with the member's current
23 employer if:

- 24 1. The member was honorably separated from the military service.
- 25 2. The period of military service for which the member receives
26 credited service does not exceed sixty months.
- 27 3. The period of military service for which the member receives
28 credited service is not on account with any other retirement system, except
29 as provided by 10 United States Code section 12736 or except if the member is
30 not yet eligible for a military retirement benefit.
- 31 4. The member pays the cost to purchase the prior active military
32 service. The cost is the amount necessary to equal the increase in the
33 actuarial present value of projected benefits resulting from the additional
34 credited service.

35 5. The amount of benefits purchased pursuant to this subsection is
36 subject to limits established by section 415 of the internal revenue code.

37 B. An active member of the plan who volunteers or is ordered to
38 perform military service may receive credited service for not more than sixty
39 months of military service as provided by the uniformed services employment
40 and reemployment rights act OF 1994 (38 United States Code part III,
41 chapter 43). The member's employer shall make employer contributions and the
42 member shall make the member contributions pursuant to subsection C of this
43 section if the member meets the following requirements:

- 44 1. Was an active member of the plan on the day before the member began
45 military service.

1 2. Entered into and served in the armed forces of the United States or
2 is a member of the national guard.

3 3. Complies with the notice and return to work provisions of 38 United
4 States Code section 4312.

5 C. Contributions made pursuant to subsection B of this section shall
6 be for the period of time beginning on the date the member began military
7 service and ending on the later of one of the following dates:

8 1. The date the member is separated from military service.

9 2. The date the member is released from service related
10 hospitalization or two years after initiation of service related
11 hospitalization, whichever date is earlier.

12 3. The date the member dies as a result of or during military service.

13 D. Notwithstanding any other law, on payment of the contributions made
14 pursuant to subsection B of this section, the member shall be credited with
15 service for retirement purposes for the period of military service of not
16 more than sixty months. The member shall submit a copy of the military
17 discharge certificate (DD-256A) and a copy of the military service record
18 (DD-214) or its equivalent with the member's application when applying for
19 credited service corresponding to the period of military service.

20 E. The employer and the member shall make contributions pursuant to
21 subsection B of this section as follows:

22 1. Contributions shall be based on the compensation that the member
23 would have received but for the period that the member was ordered into
24 active military service.

25 2. If the employer cannot reasonably determine the member's rate of
26 compensation for the period that the member was ordered into military
27 service, contributions shall be based on the member's average rate of
28 compensation during the twelve-month period immediately preceding the period
29 of military service.

30 3. If a member has been employed less than twelve months before being
31 ordered into military service, contributions shall be based on the member's
32 compensation being earned immediately preceding the period of military
33 service.

34 4. The member has up to three times the length of military service,
35 not to exceed sixty months, to make the member contributions. Once the
36 member has made the member contributions or on receipt of the member's death
37 certificate, the employer shall make the employer contributions in a lump
38 sum. Death benefits shall be calculated as prescribed by law.

39 5. If the member's employer pays military differential wage pay to
40 members serving in the military, contributions shall be paid to the plan
41 pursuant to section 38-891 for any military differential wage pay paid to the
42 member while performing military service.

43 F. In computing the length of total credited service of a member for
44 the purpose of determining retirement benefits or eligibility, the period of
45 military service, as prescribed by this section, shall be included.

1 G. If a member performs military service due to a presidential
2 call-up, not to exceed forty-eight months, the employer shall make the
3 employer and member contributions computed pursuant to subsection E of this
4 section on the member's return and in compliance with subsection B of this
5 section.

6 H. In addition to, but not in duplication of, subsection B of this
7 section, beginning December 12, 1994 contributions, benefits and credited
8 service provided pursuant to this section shall be provided pursuant to
9 section 414(u) of the internal revenue code, and this section shall be
10 interpreted in a manner consistent with that internal revenue code section.

11 I. For plan years beginning after December 31, 2008, a member who does
12 not currently perform services for an employer by reason of qualified
13 military service as defined in section 414(u)(5) of the internal revenue code
14 is not considered having a severance from employment during that qualified
15 military service. Any payments by the employer to the member during the
16 qualified military service shall be considered compensation to the extent
17 those payments do not exceed the amounts the member would have received if
18 the member had continued to perform services for the employer rather than
19 entering qualified military service.

20 J. For deaths occurring from and after December 31, 2006 in the case
21 of a member who dies while performing qualified military service as defined
22 in section 414(u)(5) of the internal revenue code, the survivors of the
23 member are entitled to any benefits, other than benefit accruals relating to
24 the period of qualified military service, provided under the plan as though
25 the member resumed and then terminated employment on account of death.

26 - Sec. 8. Section 38-909, Arizona Revised Statutes, is amended to read:

27 38-909. Redemption of prior service; calculation

28 A. Each present active member of the plan who has at least five years
29 of credited service with the plan who had previous service in this state as
30 an employee with an employer now covered by the plan or who had previous
31 service with an agency of the United States government, a state of the United
32 States or a political subdivision of this state or a state of the United
33 States as a full-time paid corrections officer or full-time paid certified
34 peace officer may elect to redeem up to sixty months of any part of the prior
35 service by paying into the plan any amounts required under subsection B OF
36 THIS SECTION if the prior service is not on account with any other retirement
37 system.

38 B. Any present active member who elects to redeem any part of the
39 prior service or employment for which the employee is deemed eligible by the
40 board under this section shall pay into the plan the amounts previously
41 withdrawn by the member, if any, as a refund of the member's accumulated
42 contributions plus accumulated interest as determined by the board and the
43 additional amount, if any, computed by the plan's actuary that is necessary
44 to equal the increase in the actuarial present value of projected benefits

1 resulting from the redemption calculated using the actuarial methods and
2 assumptions prescribed by the plan's actuary.

3 ~~C. The discount rate used by the actuary for the redemption~~
4 ~~calculation pursuant to subsection B is an amount equal to the lesser of the~~
5 ~~assumed rate of return that is prescribed by the board or an amount equal to~~
6 ~~the yield on a ten year treasury note as of March 1 that is published by the~~
7 ~~federal reserve board plus two per cent. This discount rate is effective~~
8 ~~beginning in the next fiscal year and shall be recalculated each year.~~

9 ~~D.~~ C. A member electing to redeem service pursuant to this section
10 may pay for service being redeemed in the form of a lump sum payment to the
11 plan, a trustee-to-trustee transfer or a direct rollover of an eligible
12 distribution from a plan described in section 402(c)(8)(B)(iii), (iv), (v) or
13 (vi) of the internal revenue code or a rollover of an eligible distribution
14 from an individual retirement account or annuity described in section 408(a)
15 or (b) of the internal revenue code.

16 Sec. 9. Title 38, chapter 5, article 6, Arizona Revised Statutes, is
17 amended by adding section 38-913, to read:

18 38-913. Discount rate; service purchase; transfer of service
19 credits

20 A. BEGINNING JULY 1, 2017, THE DISCOUNT RATE SPECIFIED IN SUBSECTION B
21 OF THIS SECTION APPLIES TO SERVICE PURCHASES OR TRANSFERS OF SERVICE CREDITS
22 TO THE PLAN PURSUANT TO THE FOLLOWING SECTIONS:

- 23 1. SECTION 38-907, SUBSECTION A.
24 2. SECTION 38-909, SUBSECTION B.
25 3. SECTIONS 38-921, 38-922, 38-923 AND 38-924.

26 B. THE DISCOUNT RATE IS AN AMOUNT EQUAL TO THE LESSER OF THE ASSUMED
27 RATE OF RETURN THAT IS PRESCRIBED BY THE BOARD OR AN AMOUNT EQUAL TO THE
28 YIELD ON A TEN-YEAR TREASURY NOTE AS OF MARCH 1 THAT IS PUBLISHED BY THE
29 FEDERAL RESERVE BOARD PLUS TWO PERCENT. THE DISCOUNT RATE IS EFFECTIVE
30 BEGINNING IN THE NEXT FISCAL YEAR, AND THE BOARD SHALL RECALCULATE THE RATE
31 EACH YEAR.

32 Sec. 10. Discount rate; applicability; delayed repeal

33 A. Until July 1, 2017, for service purchases and transfers of service
34 credits under the elected officials' retirement plan, the public safety
35 personnel retirement system and the corrections officer retirement plan, the
36 discount rate used by the actuary for the calculation of the actuarial
37 present value of the projected benefits is an amount equal to the assumed
38 rate of return that is prescribed by the board of trustees of the public
39 safety personnel retirement system.

40 B. This section applies retroactively to from and after August 1,
41 2012.

42 C. This section is repealed from and after June 30, 2017.

APPROVED BY THE GOVERNOR APRIL 5, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 6, 2016.

Passed the House February 8, 20 16

by the following vote: 56 Ayes,

0 Nays, 4 Not Voting

[Signature]
Speaker of the House

☐ Pro Tempore

[Signature]
Chief Clerk of the House

Passed the Senate March 28, 20 16

by the following vote: 27 Ayes,

0 Nays, 3 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

30th day of March, 20 16

at 11 o'clock A. M.

[Signature]

Secretary to the Governor

Approved this 5th day of

April

at 2:55 o'clock P. M.

[Signature]

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 6 day of April, 20 16

at 8:13 o'clock A. M.

[Signature]

Secretary of State

H.B. 2019